

**The United States House of Representatives
Agriculture Committee
Farm Bill Field Hearing
San Angelo, Texas
May 9, 2006
Testimony of Dee Vaughan**

Good morning Chairman Goodlatte, Ranking Member Collin Peterson and Members of the committee. Welcome to Texas. Thank you for holding this hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy.

My farm is located about 350 miles north of San Angelo in Moore County. My main crop is corn but I, like many Texas producers grow multiple crops. I produce wheat, soybeans, sorghum, cotton, and various crops for seed production.

The 2002 Farm Bill is very popular with farmers. I believe it has lived up to what it was designed to do and what farmers **must have**, a safety net during times of low prices. I support extending the 2002 Farm Bill and its budget baseline. Preserving the budget baseline is very important. To write a new farm bill in the midst of an ongoing WTO negotiation will put our farmers and negotiators at a disadvantage. If a WTO agreement is reached and U.S. farm programs need to be restructured, the present budget baseline needs to be available so that no net loss of farm support occurs. When it becomes necessary to re-write the farm bill I hope that many of the basic concepts of the 2002 Farm Bill will be included. The system of direct payments and countercyclical payments, combined with the marketing loan, has provided the level of support growers need during times of low prices while saving tax payer's money when prices are adequate.

Corn growers worked very hard to ensure farmers were able to update base acres and yields during the 2002 Farm Bill development. Because of this effort farmers were able to update their counter cyclical payment yields and base acres. This was a major improvement but it still left many of our producers stuck with very low direct payment yields. Farm program rules in the 1980s and 90s placed caps on how crop yields could be updated. In my area many producers were forced to continue using non-irrigated county

yields for sorghum even though they were growing irrigated corn. Consequently today you see many farms, including one of mine, with direct payment yields of 27 bushels while actual production is well over 200 bushels per acre, about 1/8th of actual. A similar farm right across the road may have a 175 bushel direct payment yield which is substantially better but still far short of actual production. This situation affects corn farmers in many areas of the country but it also affects the producers of other crops too. There has been a lot of talk about increasing direct payments under a new WTO agreement since these payments can be designated green box. If the direct payment yield is not adjusted then many producers and land owners will be disadvantaged under this plan. Of course the fruit and vegetable planting exclusion issue raised in the Brazilian cotton case will have to be resolved as well.

Another idea that has been advanced is to decouple the marketing loan by making it based on historical production. The marketing loan is the foundation of the farm program safety net providing direct support when prices fall. Many producers are taking advantage of new crop technology to change cropping patterns to adjust to local climatic and economic conditions. For example, producers in my area are adding cotton to their farms but if they lose the marketing loan because they have no base acre or yield history they will be left completely to the extremes of the global market. Other commodities face the same problem in other areas of the country. The marketing loan program should be maintained on actual production, changing to historical production will deprive many producers of the planting flexibility started in the 1996 Farm Bill.

The 2002 Farm Bill (and its predecessors) does not address the significant challenge of rapidly inflating energy prices and other expenses of production. Since 2001 we have seen the cost of irrigation double, the cost of diesel and gasoline triple, and the price of nitrogen fertilizer more than double. The volatility of these markets has made planning and marketing difficult. Often we are afraid to contract grain for future delivery when prices are favorable because we are afraid that if one of these extraordinary energy spikes comes during the growing season we may not be able to irrigate and produce the bushels for delivery. As recently as three weeks ago, with planters rolling, we saw natural gas spike to levels where it was doubtful we could recover cost of production. A terrorist act, war, or hurricane at just the wrong time will be catastrophic. Obtaining even a modest

direct payment in the form of disaster legislation to help farmers recoup a small percentage of their increased financial outlay has been impossible. The farm bill or crop insurance should look at the production expense risk associated with modern agriculture. Due to where I live I am not too worried about my home or vehicle being destroyed by a terrorist act but I can lose a life time of work if natural gas were to reach levels where it could not be used during the summer crop production months.

The commodity title has the most affect on the farmer's bottom line but I do not want to imply that I am not interested in the other titles.

Growers need conservation programs that help them to resolve environmental problems on working lands. The livestock sector, my largest customer, also needs conservation programs to help them remain competitive with global competition like Brazil. The EQIP program was expanded in the 2002 Farm Bill and the results have been very positive, not only for agriculture, but for all of society. One direct result from my area is that farmers have been able to implement water saving technology helping producers to maintain production while saving a precious natural resource. Here in Texas the NRCS has sought input from growers and other stakeholders within the local conservation district to determine what conservation practices will provide the most benefit per dollar expended under the EQIP program. This local involvement has led to approval of practices that are solving problems. Prior to this local effort, growers were provided a list of approved practices for a region or even the entire state and if it did not fit their conservation need there was no recourse. This has been a great improvement. The CSP program has been a disappointment in that too few water sheds have been allowed into the program and the rules have made entry into the program very complicated. Some have argued that CSP and similar programs will replace the commodity title as a means of complying with future WTO agreements. Most farmers including myself are very suspicious of this plan because it will not be a program that responds to low prices. Most producers believe that conservation programs will remain to be cost share rather than income producing or supporting.

I believe the Research Title must be structured and funded at levels to ensure the continuation of basic and applied agricultural research. Research, performed by U.S.D.A.'s Agricultural Research Service and land grant institutions like Texas A&M

has enabled the United States to have the most efficient farms in the world. We still have problems like drought tolerance and mycotoxins to resolve but also new opportunities for U.S. agriculture. Agriculture has always provided food and fiber but today we know we can also provide renewable fuels and products in an environmentally sound manner. Research has enabled this and only additional research will allow us to continue into the future. With global competition increasing, now is not the time to cut back on research. The 2002 Farm Bill for the first time included an Energy Title. I believe that this title should be expanded to encourage faster development of renewable energy from crops and bio-mass. Often farms and ranches lie within the trade territories of rural electric co-operatives. These co-operatives have done an outstanding job over the years making sure farmsteads and rural residences had electric power. Today these same co-operatives could be providing assistance in developing value added agriculture and renewable energy in rural areas. Some are active supporters, some are complacent about getting involved and even worse, some are impediments to development. Perhaps economic incentives could be added to the Energy or Rural Development titles to encourage the electric co-operatives to be more supportive. Allowing other power companies access to the co-operative's trade territory when the co-operative displays no interest in meeting local needs would also be appropriate.

I also support keeping the Nutrition Title in the Farm Bill to maintain the linkage between agriculture and nutrition; the linkage between rural and urban stakeholders. I have just touched on the high points of farm policy but I want to switch gears now just a bit from the actual farm bill and its various titles to how U.S.D.A. compiles and reports economic data about farming. This discussion is relevant to our topic this morning because the data is used in ways that undermine support for the farm program, both in the public at large and even among farmers.

Specifically, combining non-farm income with farm income and reporting it all as farm household income distorts the true economic health of U.S. agriculture and its profitability. Many farms, as defined by U.S.D.A., are rural residence farms where the farmer's major source of income is from non-farm sources. Farm household income, as figured by U.S.D.A., recently has been said to be higher than the average city cousin's household income with the implication that therefore, there must be room to cut the farm

program budget. Many commercial farmers do not have the ability to take off farm jobs and are totally dependent on their farm's income. Farm income must also allow for return on investment for the large capital outlay farmers have in land and equipment. Another example is that U.S.D.A. considers any entity that sells a minimum of \$1,000 of agricultural product a farm. We all know that these are not commercial operations but that distinction is lost on the media and public when someone states that the majority of U.S. farmers do not receive program benefits or the majority of benefits go to the largest operations that need it least. This practice by some, of creating winners and losers, haves and have nots, is counter productive to producing good agricultural policy for the people of the United States.

We are dependent on the world for our energy; only sound agricultural policy will prevent us from following the same road in food and fiber. Thank you for this opportunity to comment.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Dee Vaughan

Address: 5522 US Hwy 87, Dumas, TX 79029

Telephone: 806-935-2580 or 806-681-2596

Organization you represent (if any):

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: ☒ X

Signature:  _____

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Biographical Sketch Dee Vaughan

Dee Vaughan resides in Moore County, Texas near the community of Dumas. Dee and his wife Terri have three daughters: Jana McElroy of Houston, Texas, Keisha Vaughan attending George Washington University, and Lyndi Vaughan, a high school sophomore.

Vaughan began his farming career in May of 1978. The farm is 80% irrigated and produces corn, cotton, sorghum, soybeans, and wheat. He also is a contract grower of sorghum, wheat, and triticale seed. He uses no-till and strip till technology to conserve moisture, reduce fuel usage and labor, and lower capital equipment expenditures. Global positioning system technology is utilized to gain efficiency. Biotech crops make up about half of the production producing larger yields and reducing the amount of crop protection products required to grow a crop.

Vaughan was a founding board member in 1989 of the Lone Star Corn Growers Association. This association evolved into the Corn Producers Association of Texas. He remains on that board and also serves as a board member of the Texas Corn Producers Board, a state authorized promotion board.

Dee Vaughan served on the National Corn Growers Association board from December 1, 1995 to March 1, 1998, and then again from October 1, 2000 to September 30, 2005. He served as the president of the NCGA from October 1, 2003 to September 30, 2004. Vaughan also served on the NCGA Public Policy Action Team from March 1, 1998 to September 30, 2002.

Vaughan currently serves on the Moore County Ag-IPM Advisory Committee and the Texas A&M CREET (Cooperative Research, Extension, Experiment, and Teaching) advisory panel. He is involved in the Dumas/Moore County Chamber of Commerce and other civic and church activities. He has served on the Texas A&M T-CARET (Texas Council on Agricultural Research, Extension, and Teaching) Committee.

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